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Forensic Accounting Services, LLC

Forensic Accounting Report On

Colchester Board of Education: Health Insurance Reserve Matter

Colchester, CT

May 20, 2026

Confidential Attorney-Client Privileged

May 20, 2026

Attorney Jessica L. Ritter
Shipman & Goodwin, LLP
One Constitution Plaza
Hartford, CT 06103

RE: Colchester Board of Education: Health Insurance Reserve Matter

Dear Attorney Ritter:

Description of Assignment

Pursuant to the terms of our engagement, you have requested we provide a written report summarizing the procedures we performed and the results of those procedures in the above referenced matter.

Forensic Accounting Services, LLC was engaged to assist you and your client, Colchester Board of Education, by performing procedures to determine what transpired with the health insurance reserve account during the period July 2021 through February 2026.

Definitions

- Town of Colchester ("Town")
- Colchester Board of Education ("Board of Education")
- Town of Colchester and Board of Education ("Colchester")
- Health Insurance Reserve account ("Health Reserve Account")
- Aengl Health Insurance ("Aengl")
- Anthem Blue Cross ("Anthem")
- Maggie Cosgrove, former Colchester Chief Financial Officer ("Cosgrove")
- Bernie Dennler, First Selectman ("Dennler")
- HM Insurance Group ("HM")
- Rachel Linkkila, Director of Finance and Operations ("Linkkila")
- Lockton Companies ("Lockton")
- Michelle Marceau, Deputy Director of Finance ("Marceau")
- Christopher Monroe, Senior Vice President, USI ("Monroe")
- Tyler Technologies Munis - Financial System ("Munis").

- Marina Pandolfi, Director of Finance ("Pandolfi")
- Christopher Rivers, Vice Chair, Board of Education ("Rivers")
- Daniel P. Sullivan, Superintendent of Schools ("Sullivan")
- Stefanie Tracey-Calash, Chair, Board of Education ("Tracey-Calash")
- Jillian Vinci, Board of Finance ("Vinci")
- USI Insurance Services ("USI")

Background and Understanding

The Town and Board of Education provided health insurance coverage to participating employees of both entities under a combined self-insurance model coupled with major stop-loss coverage. Under this model each entity was responsible for providing funding for the payment of claims filed by their respective employees up to the major stop-loss amount, in this case $125,000 per annum. Anthem was the contracted insurer who processed and paid claims and was responsible for any claims that exceeded the $125,000 stop-loss amount.

Under the self-insured model, the primary sources of funds to pay employee health claims are employer contributions based on projected claims and related anticipated costs, and employee contributions withheld from employees' payroll. To ensure funds are available to pay claims as needed, a reserve account is established, whereby employer and employee contributions are deposited, and claims and other costs are paid out. An account balance based on projected future claims is maintained in the account, to act as a reserve so that funds are available in the event there is any interruptions in making deposits into the account, or an unanticipated increase in claims experience occurs requiring more funds than were originally projected.

Although not formally required, it is common for entities using the self-insured model to create written policies regarding the self-insured health reserve account, such as establishing a minimum and maximum balance for the health reserve account. It is common for entities to have an oversight committee who manages and monitors the health reserve account activity on an ongoing basis to ensure the balance does not get too large or too small based upon projections and actual claim activity experienced.

It is also common for the entities to work with an outside insurance consulting firm to provide guidance and projections regarding anticipated claim experience and costs, that the entities then use to determine budget amounts and funding levels for the next fiscal year. Lockton was the consulting firm Colchester used through December 31, 2025, and was replaced by USI effective January 1, 2026.

It is our understanding that during the 2026/2027 Board of Education budget planning meetings it was recognized that the health reserve account balance was low, and that based

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on funding that had already occurred into the account coupled with anticipated claims to be paid through the end of the current fiscal year, that there may not be sufficient funds available to pay the claims through June 30, 2026.

In response to this realization, we were engaged by Shipman & Goodwin on behalf of the Board of Education to investigate the health reserve account, with the following objectives of our procedures:

- What happened with the health reserve account balance during the past few years
- How were the annual budgeted health insurance amounts determined each year
- Who was aware (or should have been aware) of how the health insurance amounts were determined each year
- Who was aware (or should have been aware) of the actual health reserve balance
- Why did the health reserve account balance get so low

It is our understanding that Colchester historically maintained one financial office for the Town and Board of Education, with Ms. Cosgrove as Chief Financial Officer (CFO). Ms. Cosgrove was responsible for preparing the budgets up through fiscal year 2022/2023, including amounts for health insurance and the health reserve account. Ms. Cosgrove retired from Colchester at the end of June 2022, and after her retirement she continued providing services to the Town as a financial advisor.

At around the same time as Ms. Cosgrove's retirement, the combined financial office was split, thereby creating a financial department for the Town and a separate financial office for the Board of Education.

The Town experienced turnover in their First Selectman position, Mr. Dennler was elected and took office in November 2023. The Board of Education also experienced turnover in their Superintendent position, and Mr. Sullivan was hired as Superintendent in January 2023.

Ms. Linkkila was hired in June 2022 as the Board of Education's Director of Finance and Operations. Ms. Linkkila worked briefly with Ms. Cosgrove before her retirement. Mr. Sullivan and Ms. Linkkila were responsible for the 2023/2024 budget preparation, as well as the 2024/2025, 2025/2026, and 2026/2027 school year budgets.

The Town and the Board of Education continue to utilize the Munis finance and accounting system, which tracks and reports both the budgeted and actual amounts each school year.

Financial reports including the approved budgets and the monthly tracking of the health reserve account have been posted to the Town and Board of Education websites, making them available to the public monthly as information becomes available.

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Procedures Performed

I. Review of Initial Health Insurance and Health Reserve Account

Using the Board of Education's website, we downloaded the annual approved budgets for the school years 2022/2023, 2023/2024, 2024/2025, 2025/2026, and the preliminary draft budget for 2026/2027. We then identified the annual amounts approved to fund employee health insurance, referred to as "Employee Related Insurance" in the budgets, which was a component of "Employee Benefits" for each year.

Using the identified amount, we calculated the health insurance amount as a percentage of the total budgeted costs for each school year. We also downloaded the same information for prior school years as far back as 2017/2018 so we could compare the health insurance percentage changes over time (2017/2018 through 2026/2027).

We also calculated the percentage change between each year for the total budget and the change in health insurance cost, to compare the annual changes for the period 2017/2018 through 2026/2027.

Based on this information we created a preliminary analysis (***see Exhibit 1***).

Next, using the Board of Education's website, we downloaded the Monthly Health Insurance Reserve reports for the period July 2023 through February 2026. Using those reports, we prepared a preliminary monthly analysis of the health reserve account balance and the monthly claims, segregated by Town and Board of Education (***see Exhibit 2***). Using this analysis, we created two charts reflecting the monthly activity, one for the health reserve account trend (***see Exhibit 3***) and one for the claims trend (***see Exhibit 4***).

While we were aware that these were preliminary analyses, they provided us a basis for our initial meetings with Mr. Sullivan and Ms. Linkkila.

II. Review of 2026 Public Meetings Relating to the Health Reserve Account

We were informed that there had been public meetings held in 2026 where the Board of Education's 2026/2027 budget was being discussed, as well as the dire state of the health reserve account balance. We obtained recordings of those meetings and listened to the discussions that occurred relating to the calculation of health insurance and the funding of the health reserve account.

III. Initial Meeting with Mr. Sullivan

On March 23, 2026 we met with Mr. Sullivan in his office. Mr. Sullivan was aware we would need to meet with him and aware that we had been engaged to determine what happened to the health reserve account balance.

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During the meeting we shared our preliminary analyses with him and asked him if anyone had tracked the activity similarly. Mr. Sullivan stated he was not aware and that he had not tracked the activity or trends. We focused on the two graphs with trend lines and asked him why if the claims were trending up and the reserve account was trending down, why wasn't something done to address what appeared was going to happen if the trends continued. Mr. Sullivan indicated this level of monitoring was not being done.

Mr. Sullivan stated when he started there were many major issues that needed to be addressed, and that a focus on the health reserve account was not necessarily his priority.

Mr. Sullivan stated there were no written policies or procedures in place in Colchester over the health reserve account, including the minimum and maximum that was required to be maintained in the account.

Mr. Sullivan indicated claims had increased significantly in the 2025/2026 school year, but due to HIPAA requirements, no details about the unexpected claims experienced will be included in our report.

After learning that Mr. Sullivan was represented by counsel, we asked Shipman & Goodwin to contact Mr. Sullivan's counsel and offer Mr. Sullivan an opportunity to meet with us again before we concluded our work on this matter. Shipman & Goodwin advised that the request was conveyed to Mr. Sullivan's counsel, but that no response was received. Accordingly, although we took reasonable steps to give Mr. Sullivan a further opportunity to address the information obtained after our initial meeting, no further meeting occurred.

IV. Meetings with Ms. Linkkila

On March 13, 2026 and again on March 16, 2026 Ms. Linkkila emailed us information pertaining to the budgets, meeting minutes, agendas, health insurance calculations, and other information for our review.

On March 23, 2026 we met with Ms. Linkkila at her office. Ms. Linkkila was aware we would need to meet with her and aware that we had been engaged to determine what happened to the health reserve account balance.

During that meeting we identified the budget process and the spreadsheets Ms. Linkkila created and used for the school years 2023/2024, 2024/2025, 2025/2026, and 2026/2027. We identified the information we needed and provided Ms. Linkkila with access to a secured folder into which she could upload the requested information.

On April 2, 2026 we met with Ms. Linkkila for a second time at her office. We discussed the information we had received and identified additional information that had become known to us that existed, to be provided to us for our review. Ms. Linkkila subsequently provided us via email with a series of annual spreadsheets relating to the health insurance calculations.

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On April 2, 2026 Ms. Linkkila provided us with additional information relating to all communications that had occurred with Lockton. Ms. Linkkila indicated she was responding to a FOI request for the same information and thus provided it to us as well.

We noted that we had previously requested of Ms. Linkkila all information relating to Lockton over the prior years, and we were only provided with Lockton's annual two-page projections of estimated future claims and costs.

We had been informed that on April 6, 2026, after the Board of Finance Budget Workshop meeting, Ms. Linkkila tendered her resignation with her last day of work to be May 6, 2026.

On April 10, 2026 Ms. Linkkila sent us via email a folder containing spreadsheets and other information for each budget year 2023/2024 through 2026/2027.

On April 16, 2026 we met with Ms. Linkkila for a third time at her office. Ms. Linkkila was much more forthcoming, candid, and responsive to our questions during this third meeting. Ms. Linkkila identified she had a folder containing the spreadsheets and related information for each school year 2023/2024 through 2026/2027 and forwarded them to us via email. We noted that we had requested this information of Ms. Linkkila on several occasions, as early as our initial meeting with Ms. Linkkila on March 23, 2026.

During the meeting we identified additional information we needed to understand Ms. Linkkila's calculations in the 2025/2026 budget year. Ms. Linkkila stated she would research the issues and get us the information.

On April 22, 2026 we called and spoke with Ms. Linkkila to ask her questions about her spreadsheets, and the source of the final amounts she used. Through that call we identified additional questions for Ms. Linkkila.

Within days we started sending Ms. Linkkila many emails and left voice messages asking her to provide us with the remaining information, and to allow us one final time to speak with her before she left her position in Colchester. To date we never received any additional information, and she never set up a time to meet with us.

Thus, while we wanted to review with Ms. Linkkila one last time what we learned through our procedures, which are detailed below, Ms. Linkkila never made it possible.

V. Meetings with Mr. Dennler, Ms. Marceau, and Ms. Pandolfi

On March 25, 2026 we met with Mr. Dennler, along with Ms. Marceau and Ms. Pandolfi at Mr. Dennler's office. Mr. Dennler provided historical information about the Town and Board of Education which helped us understand the timeline prior to and subsequent to his taking office in November 2023.

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We shared our preliminary analyses with Mr. Dennler and showed him how the Town had underfunded the health reserve account for years. Mr. Dennler stated he was aware that the Town had underfunded their portion of the health reserve account, and that within a few months of being in office as First Selectman, the issue was addressed and the Town's portion went from being negative to positive.

Mr. Dennler stated he became aware that instances occurred where claims filed by Town employees were erroneously applied against the Board of Education. Mr. Dennler stated once the issue was identified, the related amounts were paid by the Town to the Board of Education. Mr. Dennler stated the Town reviewed the claim reports provided for the Town, which would list the employees with claims filed. Mr. Dennler stated he did not have access to a similar report provided to the Board of Education. Mr. Dennler stated the Board of Education's review of the claims reports should have identified that Town employees were erroneously included in their report.

Mr. Dennler stated he first started looking at the health reserve account in early 2025, and that Ms. Marceau had raised concerns with him that the health reserve account was being depleted. Mr. Dennler stated he did not understand how the Board of Education calculated the amounts included in the annual budgets. Mr. Dennler stated he contacted Ms. Cosgrove to understand how she calculated the health insurance in past years, and that Ms. Cosgrove provided him both a historical overview and an explanation of how the calculation was completed.

During the meeting Mr. Dennler shared with us the Board of Education's health insurance funding calculation spreadsheet that was used for the 2022/2023 budget, prepared by Ms. Cosgrove, and showed us where he believed the error occurred in subsequent years. Mr. Dennler then emailed us the spreadsheet for our review.

Mr. Dennler stated once he understood Ms. Cosgrove's calculations, he became concerned that there may be an error in the manner the formula was being applied in the Board of Education's calculations for the annual health insurance since 2023/2024. Mr. Dennler stated he met with Mr. Sullivan and Ms. Linkkila to share his concern, and that he was told that they stood by their calculations.

Without access to Ms. Linkkila's spreadsheets for 2023/2024 forward, it is unclear how Mr. Dennler could have quantified the issue with Ms. Linkkila's health insurance calculations.

Mr. Dennler stated he met with Mr. Sullivan and Ms. Tracey-Calash in February 2026 to show them how the Board of Education calculations worked using Ms. Cosgrove's spreadsheet. Mr. Dennler stated Mr. Sullivan said he thought the Board of Education would not have enough money and should consider changing its health insurance plan.

During our meeting with Mr. Dennler, along with Ms. Marceau and Ms. Pandolfi, we shared that we had read an article about the Board of Education changing the level of detail within

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the 2023/2024 budget and within Munis, because of transitioning the calculations of the annual health insurance calculations from Munis to Ms. Linkkila's spreadsheets.

We reviewed the 2022/2023 as well as the 2023/2024 budget details within Munis and noted the line-item details under 41210 Employee Related Insurance had changed in 2023/2024 to a single line-item amount coupled with a long, detailed account description. We deemed this a particularly important issue to understand as the line-item details historically provided within the employee health insurance calculations were no longer within Munis, and thus potentially no longer available for public review.

Ms. Marceau subsequently provided us reports from Munis that showed the employee health insurance line items were included within Munis for 2023/2024 prior to the change but no longer existed within Munis after the change to spreadsheets.

While different motives for the shift from Munis to spreadsheets were identified, Ms. Linkkila's explanation for the shift to using spreadsheets seemed reasonable. Ms. Linkkila stated the budget amounts entered into Munis were static, in that once they were entered into Munis, they would remain unchanged unless someone accessed the budget and manually changed them. A change in one line item would not automatically change other line items relating to the first change. For example, if a position were to be eliminated, the corresponding benefits associated with that position would not be automatically updated within Munis. Thus Ms. Linkkila required a spreadsheet to calculate changes and all the related changes, to then enter the updated amounts into Munis and re-generate the budget.

Ms. Linkkila stated she attended the budget meetings and was responsible for calculating the financial impacts of proposed changes on the spot during the discussions. Ms. Linkkila stated the 2023/2024 was her first budget year, and that she wanted to ensure that not only could she calculate financial impacts based on contemplated changes during the meetings, but that she also wanted to track budget versus actual activity in real time to ensure that the budget lines were not overspent. Ms. Linkkila stated entering the line-item details back into Munis seemed redundant, as she had a spreadsheet to support the amounts she posted to Munis.

Ms. Linkkila stated she used her spreadsheet to perform that tracking, and as the basis for the budgets she prepared that were ultimately approved by the Board of Education. Given our knowledge of Munis, Ms. Linkkila's explanation of using spreadsheets versus Munis appeared reasonable. As noted earlier on April 10, 2026 Ms. Linkkila provided us via email with the folders containing the spreadsheets she used for each budget year.

VI. Meeting with Mr. Rivers

Mr. Dennler stated he had spoken with Mr. Rivers to discuss his concerns relating to the reserve account. On March 30, 2026 we met with Mr. Rivers in our office. We subsequently spoke with Mr. Rivers by phone.

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Mr. Rivers stated he never understood the details behind the health insurance calculations, and even when provided explanations, failed to completely understand how the amounts were determined. Mr. Rivers stated he was never provided with the detailed health insurance calculations, but rather the budgets provided him and the Board of Directors for discussion and ultimate approval were more summarized. Mr. Rivers stated the budgets included a line item called Employee Benefits, within which the health insurance and other related costs were combined.

Mr. Rivers stated that Mr. Dennler reached out to him personally about possible shortcomings related to the health reserve account on the Board of Education side. Mr. Dennler showed Mr. Rivers Ms. Cosgrove's spreadsheets, but Mr. Rivers stated he did not understand them. Mr. Rivers stated he followed up with Mr. Sullivan and Ms. Linkkila asking them if there was a problem, and they told him the problem was on the Town side.

In the March 25, 2026 budget workshop meeting Mr. Sullivan stated that he had met with Mr. Rivers in 2025.

Mr. Rivers stated during an April 17, 2025 meeting with Ms. Linkkila and Ms. Vinci, that Ms. Linkkila shared with them a spreadsheet Ms. Linkkila had prepared that compared calculations using Lockton's projected claims and costs, versus the amounts that were included in the approved budgets. Mr. Rivers forwarded us via email the spreadsheets.

Mr. Rivers stated the gap grew more clear to him during the 2026/2027 budget process, and when he asked Mr. Sullivan about it, Mr. Sullivan responded along the lines of what difference would it have made, it wasn't like the Board was going to give us any more money. Mr. Rivers stated his response to Mr. Sullivan was it would have mattered because he could have made different decisions had he known.

VII. Meeting with Ms. Vinci

On April 6, 2026 we spoke with Ms. Vinci via a virtual meeting (Zoom).

Ms. Vinci stated during an April 17, 2025 meeting with Mr. Rivers and Ms. Linkkila, that Ms. Linkkila shared with them a spreadsheet Ms. Linkkila had prepared that compared calculations using Lockton's projected claims and costs, versus the amounts that were included in the approved budgets. Ms. Vinci forwarded us via email the spreadsheets.

Ms. Vinci stated Ms. Linkkila said she had discussed the health insurance with Mr. Sullivan, and that he told her the prior first selectman, who did not want any increases in the budgets, was aware that the Board of Education had not been using Lockton's projected amounts. Ms. Vinci stated Ms. Linkkila said when she calculated the 2023/2024 amounts and shared them with Mr. Sullivan, that the increase in employee related insurance was too large. Ms. Linkkila said Mr. Sullivan told her to use the percentage increase using Lockton's

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amounts and apply that percentage increase to the prior year budgeted amounts. Ms. Vinci stated Ms. Linkkila said that she and Mr. Sullivan were comfortable with that methodology

VIII. Meeting with Mr. Monroe

We learned that Colchester had ended their relationship with Lockton effective December 31, 2025, and had contracted with USI starting January 1, 2026. Mr. Monroe was identified as the USI contact person, and we observed Mr. Monroe addressing the Board of Education and the public during meetings held in 2026.

On April 16, 2026 we met with Mr. Monroe in his office at USI. Mr. Monroe shared historical analyses that he had completed relating to Colchester's health insurance and the health reserve account. Mr. Monroe stated USI worked with many municipalities that maintain the self-funded health insurance model. We shared the initial analyses we prepared including the claims and health reserve account trends, and he indicated he had performed similar analyses.

We asked Mr. Monroe if he had identified any written policies that existed in Colchester regarding the health reserve account. Mr. Monroe stated he had not, and acknowledged other municipalities have written policies and procedures in place.

IX. Review of Lockton Information

We obtained and reviewed the information Lockton provided annually to Colchester, most notably the projected costs and claims that were to be used as a basis for calculating the budgeted health insurance costs and contributions to the health reserve account.

Subsequently, on April 6, 2026, we were provided with communications between Lockton and Colchester. In total, 1,368 files were produced, covering the period from July 2022 through February 2026. While we did not review every communication file provided, we noted that the final file, dated February 10, 2026, was noteworthy in the context of our review (***see Exhibit 5***). In that communication, Ms. Linkkila emailed Mr. Hebert of Lockton on February 9, 2026 requesting an explanation of the difference between Lockton's projected claim cost and projected claim cost plus the 25% corridor. Mr. Hebert responded on February 10, 2026 with an explanation.

This communication drew our attention because the same report line items appeared on Lockton's projected reports for prior years, including the 2023/2024 period when Ms. Linkkila first prepared the budget. Based on our review, it appears the inquiry regarding these line items was not raised until February 2026, after questions concerning the health insurance reserves had already emerged.

Given the recurring nature of these report line items over multiple budget cycles, we would have expected that an understanding or clarification of their purpose and impact would

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have been obtained earlier in the budgeting process, whether during preparation of the 2023/2024 budget or in subsequent years.

As noted earlier, we were not provided the opportunity to ask Ms. Linkkila about this email in a final meeting with her.

X. Review of Financial Documentation

We obtained the supporting records associated with the health insurance amounts used in the 2023/2024 through 2026/2027 budget years, including: the annual Board of Education's approved budgets; monthly health insurance reports for July 2022 through March 2026; Ms. Linkkila's spreadsheets; Lockton's annual projected claims and costs; Ms. Cosgrove's 2022/2023 budget spreadsheets and her explanation for calculating the health insurance amount provided to Mr. Dennler; Munis general ledger reports; and other financial information.

Reviewing the information in conjunction with discussions with Ms. Linkkila, we gained an understanding of Ms. Linkkila's methodology for calculating the health insurance amounts she used following Ms. Cosgrove's methodology. We ultimately obtained and reviewed with Ms. Linkkila the actual spreadsheets that she used for each of the budget years starting with 2023/2024 through 2026/2027.

Delving into the details of the health insurance calculations within Ms. Linkkila's annual budget spreadsheets, we met with Ms. Linkkila and identified the components of the calculations for each budget year. We obtained an explanation for many but not all of the adjustments that were made to the calculations.

XI. Health Reserve Account Policies

Prior to any meetings we searched to determine if any policies existed in Colchester regarding the health reserve account. We did not find any policies.

When we met with Mr. Sullivan, he stated that there were no written policies regarding the health reserve account. Mr. Sullivan stated other districts he was familiar had written policies, but that none existed for Colchester.

Results and Observations

I. General Overview

Based on the procedures we performed, it appears there was not one single event but rather a series of events that occurred starting with the 2023/2024 budget year that contributed to the reduction and near-depletion of the health reserve account by the 2025/2026 school year.

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It appears that monitoring of the increasing costs and claims and the decreasing trend of the reserve account balance was not occurring. As a result, rather than effectuating a change in the methodology for calculating health insurance, they continued using the 2022/2023 model.

However, in addition, the projected claims amounts used within the calculation of health insurance as presented to the Board of Education for review, discussion, and ultimate approval were not based upon Lockton's projected costs. Rather, Lockton's projected amounts were adjusted downward and offset by other changes unrelated to health insurance (see discussion below), and/or a different methodology based on percentage change was used (discussed below).

We anticipated determining who was aware of the health insurance and related health reserve account issues, and when each became aware. As described earlier, we met with several individuals that had been identified during our meetings.

While we cannot state with certainty who knew and when, it does appear that Ms. Linkkila was aware and Mr. Sullivan should have been aware that the 2023/2024 and subsequent budgets were not based upon the projected costs Lockton provided. Ms. Linkkila stated she could not recall with certainty the discussions she had with Mr. Sullivan about using Lockton's projected costs. Ms. Linkkila shared with us the detailed spreadsheets she used for calculating the annual budgets and stated that the detailed spreadsheets were never shared with the Board of Education members.

Rather, Ms. Linkkila stated a summarized Employee Benefits amount which included the projected claim costs and the use of the health reserve account were provided to Board of Education members as part of the annual budget process.

Further, Ms. Linkkila stated Mr. Sullivan never accessed or reviewed her detailed spreadsheets and relied upon her to perform the budget calculations.

We identified a letter from the Board of Education to the Colchester Board of Finance dated April 26, 2023 that reflected the following, *"**Health Insurance**. Reduction in the Employee Related Insurance line knowing that this reduction will cause the Health Reserve Account Balance to be lower. This is against the recommendation of our vendor who believes we are already underfunding insurance **($250,000)**."*

It appeared that in Spring 2025 discussions occurred regarding the Board of Education's calculation of health insurance and the health reserve account balance, including discussions with Mr. Sullivan, Ms. Linkkila, Mr. Dennler, Mr. Rivers and Ms. Vinci. It appeared the formula issue was first identified when Mr. Dennler contacted Ms. Cosgrove, gained an understanding of her approach used in 2022/2023, and then compared it to the later calculations. We were unable to determine with any certainty if anyone beyond Ms. Linkkila knew all the details relating to the calculations.

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II. Historical Calculation Ms. Cosgrove

During the time Ms. Cosgrove worked for Colchester she was the CFO, and thus she was responsible for the Town and the Board of Education which included the budget preparation for both entities.

On May 6, 2025 Mr. Dennler contacted Ms. Cosgrove to gain an understanding of her calculations through the 2022/2023 budget years. Ms. Cosgrove responded by email and provided some history behind her calculations (***see Exhibit 6***).

In summary, Ms. Cosgrove's calculations regarding health insurance funding were historically based on Lockton's projected claims plus a 20% risk corridor, and that in 2018/2019 a change was made and supported by Lockton to implement a new methodology whereby the 20% risk corridor was eliminated. Further, the health reserve account balance was used to offset Lockton's projected claims. Initially the health reserve account was based on 33% of the excess health reserve account balance after calculating a 15% risk corridor. This was later changed from 33% to 50%. Ms. Cosgrove indicated the 2022/2023 budget was based on the 50% excess after the 15% risk corridor.

For calculating purposes, one would look at the health reserve account balance at the beginning of the budget process (usually November), subtract 15% of Lockton's projected claims, and then use 50% of the remaining balance as an offset to Lockton's projected claims, leaving the other 50% in the health reserve account. Thus, the projected health reserve account would be comprised of the 15% of projected claims plus 50% of the excess beyond the 15%.

We noted that Ms. Cosgrove's formula for using excess health reserve account funds to offset health insurance costs did not include a provision for a minimum balance at which point the formula as written should no longer be applied. Without such a provision there was a risk to erode the health reserve account balance to a level insufficient to continue to pay health claims.

Ms. Linkkila stated she tried to follow Ms. Cosgrove's 2022/2023 calculations but could not determine how Ms. Cosgrove arrived at the amount she used in her 2022/2023 approved budget of $3,822,174. We reviewed Ms. Cosgrove's spreadsheet calculation of $3,932,174 for 2022/2023, which included estimated claims @ 100% of $5,421,412. The amount was based on Lockton's projected claim amounts multiplied by 300 participants.

The final amount in the 2022/2023 approved budget was $3,822,179, which was different from the $3,932,174 per Ms. Cosgrove's spreadsheet. We did not determine an explanation for the difference of $109,995.

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III. Budgetary Environment and Historical Increases

It was described to us that during the period when Mr. Sullivan and Ms. Linkkila started, the expectation established by the then First Selectman was that there would be no budget increases. When we calculated the Board of Education budget changes year over year from 2017/2018 through 2022/2023 ***(see Exhibit 1)***, we noted the percentage changes were as low as 0.4% (2020/2021).

Ms. Linkkila stated when she prepared the initial budget for 2023/2024 using Lockton's 100% projected claims, she shared it with Mr. Sullivan. Ms. Linkkila stated Mr. Sullivan told her there was no way the budget would pass with such a large increase and directed Ms. Linkkila to adjust the budget to reflect an increase more likely to be accepted. Ms. Linkkila stated no one else ever saw that initial budget, and the first budget presented to the Board of Education members was the version after changes were made.

Ms. Linkkila stated the Board of Education members were never provided with the initial 2023/2024 budget that she shared with Mr. Sullivan that reflected Lockton's actual projected claims and costs.

The 2023/2024 approved budget reflected a 4.5% increase over 2022/2023.

IV. Mr. Sullivan and Ms. Linkkila New for 2023/2024

Ms. Linkkila was new to the Board of Education in June 2022 and stated she had limited time working with Ms. Cosgrove due to her upcoming retirement effective June 30, 2022. During her first budget process, 2023/2024, Mr. Sullivan was also new as Superintendent as of January 2023.

As part of completing the budget process, Ms. Linkkila reviewed Ms. Cosgrove's methodologies and calculations from 2022/2023. However, it appeared as part of the transition, even when Ms. Linkkila recognized that she could not determine how Ms. Cosgrove arrived at the 2022/2023 projected claim amount, that she did not contact Ms. Cosgrove to not only understand the calculation, but also to understand the overall methodology of using any excess reserve account balance as an offset against Lockton's projected claims.

We found no evidence that Mr. Sullivan or Ms. Linkkila ever contacted Ms. Cosgrove to understand the history and methodology for prior calculations for health insurance, and while we wanted to ask each of them about why they hadn't contacted Ms. Cosgrove at a final meeting with them, we were not provided the opportunity for final meetings.

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V. Lack of Monitoring Claims Experienced and Health Reserve Account Balance

As discussed early in our report, we initially printed the Monthly Health Insurance Reserve reports from the Board of Education's website for July 2023 through February 2026. When we met with Mr. Sullivan and Ms. Linkkila, we shared our preliminary analyses of those reports which reflected an upward trend in claim costs and a downward trend in the health reserve account balance. We asked each of them why such monitoring and trending had not occurred, which could have influence the methodology used to calculate the health insurance costs.

While both Mr. Sullivan and Ms. Linkkila were aware the health reserve account was reconciled and reported monthly, neither indicated that any formal tracking and trending of the activity had ever been performed to be used in the budget process.

The same information would have been available to the Board of Education members and the public at large. However, without knowing the methodology used within Ms. Linkkila's calculations for the health insurance costs, it is unclear how the information that was available to them could have helped the Board members identify the issue with the health reserve account balance prior to it becoming apparent.

VI. Failure to Follow Lockton Amounts

It appeared that although certain reports and/or spreadsheets contained the description "Lockton Projected Claims at 100%" as a component to calculating budgeted health insurance costs, starting with the 2023/2024 budget that did not occur.

Rather, Lockton's projected claims were reduced by the excess health reserve account amount (the 50% of excess discussed earlier), and for other adjustments unrelated to health insurance (discussed below). Evidence of these adjustments were identified by Ms. Linkkila within her budget spreadsheets.

During the March 25, 2026 budget workshop, Mr. Sullivan stated that he made others aware that they (Mr. Sullivan and Ms. Linkkila) had not been using Lockton's 100% of projected claims in past budgets and stated that he made them aware in the 2025 period during budget discussions.

We reviewed meetings held in 2025 and while we didn't review every meeting that occurred during the 2025/2026 budget season, we noted one meeting we reviewed (the March 19, 2025 Board of Finance budget workshop) where there was much discussion regarding the health insurance costs and the funding of the health reserve account.

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VII. Unrelated Adjustments to Projected Claims Amount

Through meeting with Ms. Linkkila and reviewing with her the detailed spreadsheets she used for preparing the budgets, we noted there were adjustments posted within the projected claims cell formula that were unrelated to health insurance. Ms. Linkkila provided us information that showed that adjustments made to other financial areas such as cost savings or increased costs were included as adjustments to the health insurance projected claim Excel cell formula.

We inquired of Ms. Linkkila why adjustments unrelated to health insurance were posted to the health insurance line item. Ms. Linkkila stated when she discussed the budget adjustments with Mr. Sullivan, that he indicated in his past position with another district that also utilized the self-insurance model, that they had made adjustments to their budgets through the health reserve account. It appeared Mr. Sullivan continued this practice in Colchester when necessary to make the budget balance.

As Ms. Linkkila stated her detailed budget spreadsheets were never shared with the Board of Education members, it appeared the Board of Education members would not have been aware budget changes unrelated to health insurance were being used in the calculation of the health insurance costs.

VIII. Calculation of Projected Claim Cost for 2025/2026

On April 10, 2026 after numerous requests, Ms. Linkkila provided us many spreadsheets organized in folders by school year. As discussed above, these were sent to us via email after Ms. Linkkila tendered her resignation.

When we last met with Ms. Linkkila on April 16, 2026, we identified questions we had relating to how the projected claim costs were calculated. Ms. Linkkila showed us where the calculations were located in her spreadsheets, as we had yet to analyze those spreadsheets along with the formulas within the cells.

We identified questions at that meeting for Ms. Linkkila to provide us with information, and as noted earlier, despite numerous emails and voice messages, we never received the information nor were we granted a time to meet with her one last time.

Subsequent to our last meeting while reviewing the many spreadsheets Ms. Linkkila provided, we attempted to determine how the final Employee Related Insurance amount within the 2025/2026 approved budget ($4,193,786) was calculated. In doing so, we identified another spreadsheet relating to health insurance renewal projections, budgeted amounts, and the health reserve account balance. That spreadsheet calculated the contribution for the employee related insurance to be $6,837,170 (***see Exhibit 7***).

The same spreadsheet contained the tracking of the health reserve account balance by month, and although not every month matched exactly with the amount reported on the

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Monthly Health Reserve Account reports (available on the Board of Education website), many months matched which showed that the health reserve account balance was being tracked, at least as part of this spreadsheet. We printed the properties screens for this file (**see Exhibit 7**) which reflected Ms. Cosgrove was the original author of this spreadsheet, and that it had been printed in March 2025, during the 2025/2026 budget period.

To further understand how the $4,193,786 was calculated, we accessed additional spreadsheets and located the line-item details that comprised the amount ***(see Exhibit 8)***. The first line, "Projected claims at 100% Estimate…" reflected $4,967,705.45. The formula within that cell included $5,167,705.45 less $200,000.00.

To determine how the $5,167,705.45 was calculated, we accessed another spreadsheet that calculated the amount. That spreadsheet calculated $6,292,188 based on 300 participants using Lockton's projected claim amounts.

However, the next line calculated the difference between the 2024/2025 and the 2025/2026 amounts, as well as the percentage change between years. The result reflected a 23.14% change.

The next line reported the approximate amount used in 2024/2025 and then calculated a 23.14% increase in that amount. The prior year amount was then combined with the 23.14% increase ($816,668.69) to arrive at the total amount to be used for the remainder of the calculation ($4,346,424.69).

The final amount of $5,167,705.45 was the sum of the line items from the $4,346,424.69 to the last line item, adjusted with an unknown reduction of $9,056.77 and an addition of $30,000.00.

It appeared that the 2025/2026 projected cost for health insurance was known to Ms. Linkkila, and should have been known by Mr. Sullivan, using Lockton's projected claim amounts. However, a different methodology was used to calculate the 2025/2026 amounts applying an incremental increase based on prior amounts (which as discussed earlier were not based on Lockton's projected claim costs).

It appears this alternate methodology resulted in a lower employee health insurance cost approved within the budgets and also contributed to the diminution of the health reserve account balance.

IX. Error in Calculated Health Reserve Amount Used to Offset Costs 2025/2026

While reviewing the detailed calculations contained within Ms. Linkkila's spreadsheets for 2025/2026, we identified a miscalculation in the amount that was used within the employee health insurance calculations relating to the use of the excess health reserve account balance.

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Up through our last meeting with Ms. Linkkila, we believed there was an error in the spreadsheet when calculating the amount of the health reserve account that was used to offset the cost of health insurance. The approved budget contained an offset of $1,601,813.

That amount was based on applying Ms. Cosgrove's formula (discussed earlier) to a health reserve account balance of $4,147,454.78, which was the November 2023 balance. However, the actual health reserve account balance as of November 2024, the start of the budget process, was actually $2,670,934.66.

When applying Ms. Cosgrove's formula to the correct amount of $2,670,934.66, the offset that should have been used against the health insurance cost was $863,553.00. The result was the offset was overstated by the difference of $738,260, contributing to the underfunding of the health insurance cost and the diminution of the health reserve account balance.

As discussed in VIII. above, we discovered other spreadsheets provided by Ms. Linkkila that reflected an offset amount for 2025/2026 of $1,156,024 (***see Exhibit 7***), which was much lower than the $1,601,813 used in the approved budget. We wanted to discuss this with Ms. Linkkila had we had a final meeting with her.

X. Additional $400,000 Requested and $200,000 Received into Reserve account in July 2025

The Board of Education requested an additional $400,000 to be contributed to the health reserve account as of June 2025. Subsequently $200,000 was contributed in July 2025.

Given the health reserve account balance of $854,252 as of June 2025, in comparison to prior periods when the account balance was regularly over $1 million and often over $2 million, the additional $200,000 would have helped, but given how the 2025/2026 employee related insurance was underbudgeted, the additional $200,000 would likely have made little difference towards the diminution of the health reserve account.

XI. Experienced Higher Than Expected Claims 2024/2025

During the pandemic years Colchester experienced lower claims and benefitted from building a larger health reserve account, allowing the continued use of the methodology to utilize excess amounts in the health reserve account to offset projected claims and costs.

Colchester started experiencing higher claims post-pandemic, coupled with claim experience beyond the stop-loss amount of $125,000 and an increase in immunotherapy and weight loss medications. The higher than anticipated claims experienced caused Anthem to raise rates and ultimately decide to end their relationship as Colchester's stop loss provider effective June 30, 2025 (discussed below).

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The increase in medical costs, premiums, and claims that occurred without changing the methodology for calculating the health insurance contributed to the underfunding of the health insurance cost and the depletion of the health reserve account balance.

XII. Change as of July 1, 2025 Anthem Replaced By HM

It is our understanding that due to the claims experienced up through 2024/2025, that Anthem did not renew as Colchester's stop loss insurance provider effective June 30, 2025. Historically Anthem processed the claims; facilitated the payments; handled the stop-loss claims over $125,000; and did not remove funds for stop-loss claims as Anthem was responsible for paying those excess claims.

In response to Anthem's non-renewal, Colchester contracted with HM to replace Anthem, as the stop-loss provider. Claims in excess of the stop loss were now billed by Anthem. Colchester then contracted with Aengl to provide advanced payments of the funds in excess of the stop-loss amounts due from HM, returning those funds into the health reserve account. These changes added additional costs to providing health insurance and thus contributed to the underfunding of the health insurance cost and the erosion of the health reserve account balance.

When Colchester ending their contract with Lockton as of December 31, 2025, replaced by USI, Aengl terminated providing services to Colchester.

XIII. Lack of Written Policies and Regular Oversight

As documented earlier, no written policies regarding the health reserve account have been identified, and none are known to exist. Further, it appeared there was no regular oversight provided to monitor the health reserve account and to validate the health insurance amounts that were included in the annual employee health insurance within the approved budgets.

It appears the lack of written policies coupled with the lack of independent oversight over the health reserve account likely contributed to the underfunding of the health insurance cost and the diminution of the health reserve account balance.

Recommendations

Based on our procedures and observations, we offer the following recommendations. We are aware some of these may have already been implemented.

I. Active Engagement with USI

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We did not identify any issues that indicated Lockton contributed to the diminution of the health reserve account balance. Conversely, there was information provided that showed calculations were made at times using Lockton's projected claims and costs, and that Lockton was concerned about the underfunding of the health insurance costs and health reserve account.

Colchester replaced Lockton effective January 1, 2026. Mr. Monroe has been attending meetings and participating by explaining information to the Board of Education and to anyone from the public in attendance.

Colchester should utilize USI and their services to the fullest, including attending regular meetings to review claims, costs, tends, and the health reserve account balance. Mr. Monroe can assist Colchester to write policies regarding the health reserve account, including minimums to be maintained and how to fund to that level.

II. Health Reserve Account Policy

Colchester should draft written policies and procedures over how employee related insurance will be calculated and included in future budgets, as well as the maintenance over the health reserve account. Examples from other districts are publicly available and should be obtained and reviewed as a launching point for Colchester's policies and procedures.

III. Health Reserve Account Oversight Committee

The Town and Board of Education should establish a health insurance oversight committee, comprised of members of the Town, Board of Education, and Board of Finance. The committee should include Mr. Monroe and meet at least quarterly to review actual claim and cost experienced and discuss any trends that could negatively impact the projected costs and/or the health reserve account balance. Minutes should be maintained and made available along with the continued publication of the Monthly Health Insurance Reserve Reports through the website.

IV. Budget Committee Access to Detailed Calculations and Supporting Documentation

As part of the budget process for both the Town and Board of Education, the detailed line items should be reviewed, explained, and understood, showing how the line items roll up into the summarized categories included on the budget worksheets.

Specifically, regarding the employee health insurance calculations, the detailed spreadsheet used to calculate the amounts should be shared with USI to ensure that what is being budgeted agrees with USI recommendations. Someone independent of the person maintaining the spreadsheets should ensure that USI has reviewed the spreadsheets and calculations each year.

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The attached schedules and exhibits are included solely to assist you by providing the details of the results of our procedures and should not be used for any other purposes. Due to the limited purpose of these exhibits, they may be incomplete and contain departures from Generally Accepted Accounting Procedures (GAAP). We have not audited, reviewed, or compiled these presentations and express no assurances on them.

Our engagement was conducted in accordance with the American Institute of Certified Public Accountants' (AICPA) Statements on Standards for Consulting Services and Statement on Standards for Forensic Services.

This report is restricted for use only by you specifically in connection with efforts in resolving this matter and is not to be used by anyone else for any other purpose without our prior permission.

Should additional information become available in this matter for our review, the conclusions we reached could change based on the additional information. We reserve the right to modify our report should additional information become available.

Respectfully submitted,

Stephen A. Pedneault, CPA/CFF, CFE
Member of the Firm

Exhibits

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Exhibit 1

Confidentil Attorney-Client Privileged

Matter of Colchester Board of Education
Budget Trends
April 2026

	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27
Total Budget	$ 39,659,108	$ 40,549,344	$ 41,237,122	$ 41,397,941	$ 41,827,055	$ 42,025,701	$ 43,979,351	$ 45,576,075	$ 47,297,722	$ 52,249,642
% change		2.2%	1.7%	0.4%	1.0%	0.5%	4.6%	3.6%	3.8%	10.5%
Employee Related Insurance	$ 5,360,979	$ 4,940,312	$ 5,297,896	$ 5,211,518	$ 5,224,402	$ 3,822,179	$ 3,963,477	$ 3,632,679	$ 4,193,786	$ 7,420,356
% change		-7.8%	7.2%	-1.6%	0.2%	-26.8%	3.7%	-8.3%	15.4%	76.9%
% Insurance to Total	13.5%	12.2%	12.8%	12.6%	12.5%	9.1%	9.0%	8.0%	8.9%	14.2%

Five Year Trend	12.7%

Exhibit 2

Confidentil Attorney-Client Privileged

Matter of Colchester Board of Education
Health Reserve Engagement
April 2026

	6/23	7/23	8/23	9/23	10/23	11/23	12/23	1/24	2/24	3/24
Reserve Account:										
BOE	$3,725,590	$3,367,117	$2,676,342	$3,478,055	$3,745,469	$4,147,455	$4,058,188	$3,683,376	$3,136,355	$3,316,394
Town	(367,794)	(448,899)	(428,863)	(482,732)	(677,857)	(761,962)	(861,558)	(939,018)	(325,521)	(284,406)
Total	$3,357,796	$2,918,218	$2,247,479	$2,995,323	$3,067,612	$3,385,493	$3,196,630	$2,744,358	$2,810,834	$3,031,988

	J	J	A	S	O	N	D	J	F	M
Claims:										
BOE		$ 372,592	$ 495,106	$ 309,407	$ 348,878	$ 397,432	$ 465,556	$ 750,990	$ 613,370	$ 449,253
Town		79,581	162,798	77,266	174,857	271,635	99,918	67,540	120,994	53,350
Total	$ -	$ 452,173	$ 657,904	$ 386,673	$ 523,735	$ 669,067	$ 565,474	$ 818,530	$ 734,364	$ 502,603

4/24	5/24	6/24	7/24	8/24	9/24	10/24	11/24	12/24	1/25	2/25	3/25
$3,036,664	$3,239,526	$2,609,468	$2,199,932	$2,475,316	$2,835,640	$2,695,526	$2,670,935	$2,330,870	$2,239,280	$2,033,999	$1,633,001
(201,190)	(254,799)	(201,876)	(278,700)	(147,499)	(146,588)	(101,013)	(79,000)	(132,249)	(47,105)	(38,096)	(38,068)
$2,835,474	$2,984,727	$2,407,592	$1,921,232	$2,327,817	$2,689,052	$2,594,513	$ 2,591,935	$2,198,621	$2,192,175	$1,995,903	$1,594,933

A	M	J	J	A	S	O	N	D	J	F	M
$ 361,148	$ 608,098	$ 602,866	$ 391,869	$ 273,379	$ 373,112	$ 508,021	$ 403,177	$ 602,228	$ 544,667	$ 667,075	$ 775,186
39,358	171,185	56,781	60,854	64,601	96,280	50,433	86,220	60,472	106,245	111,815	122,366
$ 400,506	$ 779,283	$ 659,647	$ 452,723	$ 337,980	$ 469,392	$ 558,454	$ 489,397	$ 662,700	$ 650,912	$ 778,890	$ 897,552

4/25	5/25	6/25	7/25	8/25	9/25	10/25	11/25	12/25	1/26	2/26
$1,389,556	$1,075,889	$854,252	$584,853	$1,579,664	$953,745	$2,289,004	$2,372,463	$1,665,773	$1,131,420	
19,732	84,463	163,023	176,567	235,866	254,789	328,384	300,512	300,872	336,606	
$1,409,288	$1,160,352	$1,017,275	$ 761,420	$1,815,530	$ 1,208,534	$2,617,388	$2,672,975	$1,966,645	$1,468,026	$ -

A	M	J	J	A	S	O	N	D	J	
$ 611,303	$ 679,015	$ 607,078	$ 810,989	$ 731,961	$ 1,228,469	$ 710,838	$ 357,760	$ 791,808	$ 699,606	
38,989	75,040	31,329	111,549	83,641	71,308	38,395	169,881	141,354	41,670	
$ 650,292	$ 754,055	$ 638,407	$ 922,538	$ 815,602	$ 1,299,777	$ 749,233	$ 527,641	$ 933,162	$ 741,276	$ -

Exhibit 3

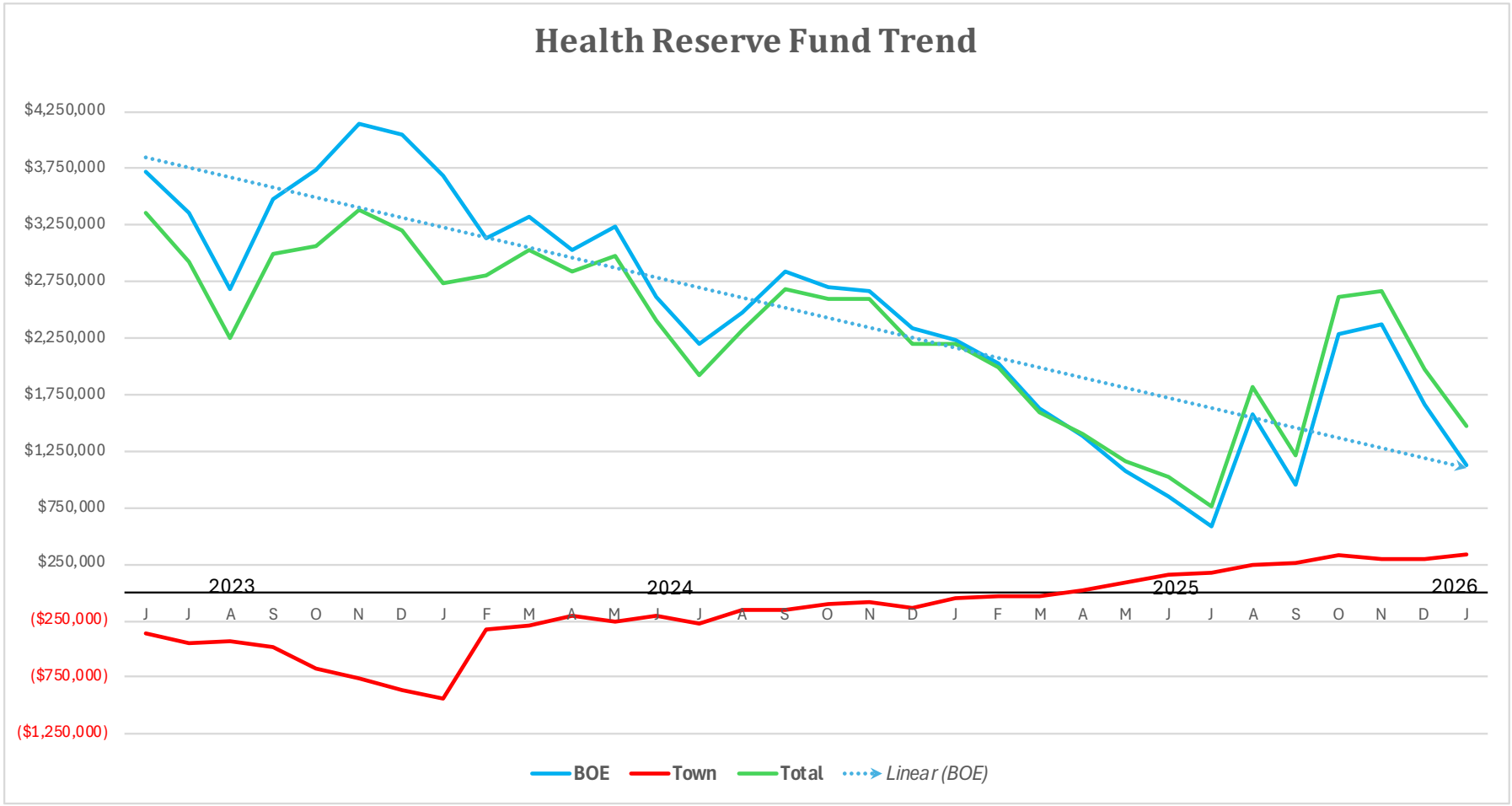
Health Reserve Fund Trend
$4,250,000
$3,750,000
$3,250,000
$2,750,000
$2,250,000
$1,750,000
$1,250,000
$750,000
$250,000
($250,000)
($750,000)
($1,250,000)
2023
2024
2025
2026
J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J
BOE
Town
Total
Linear (BOE)

Exhibit 3

Exhibit 4

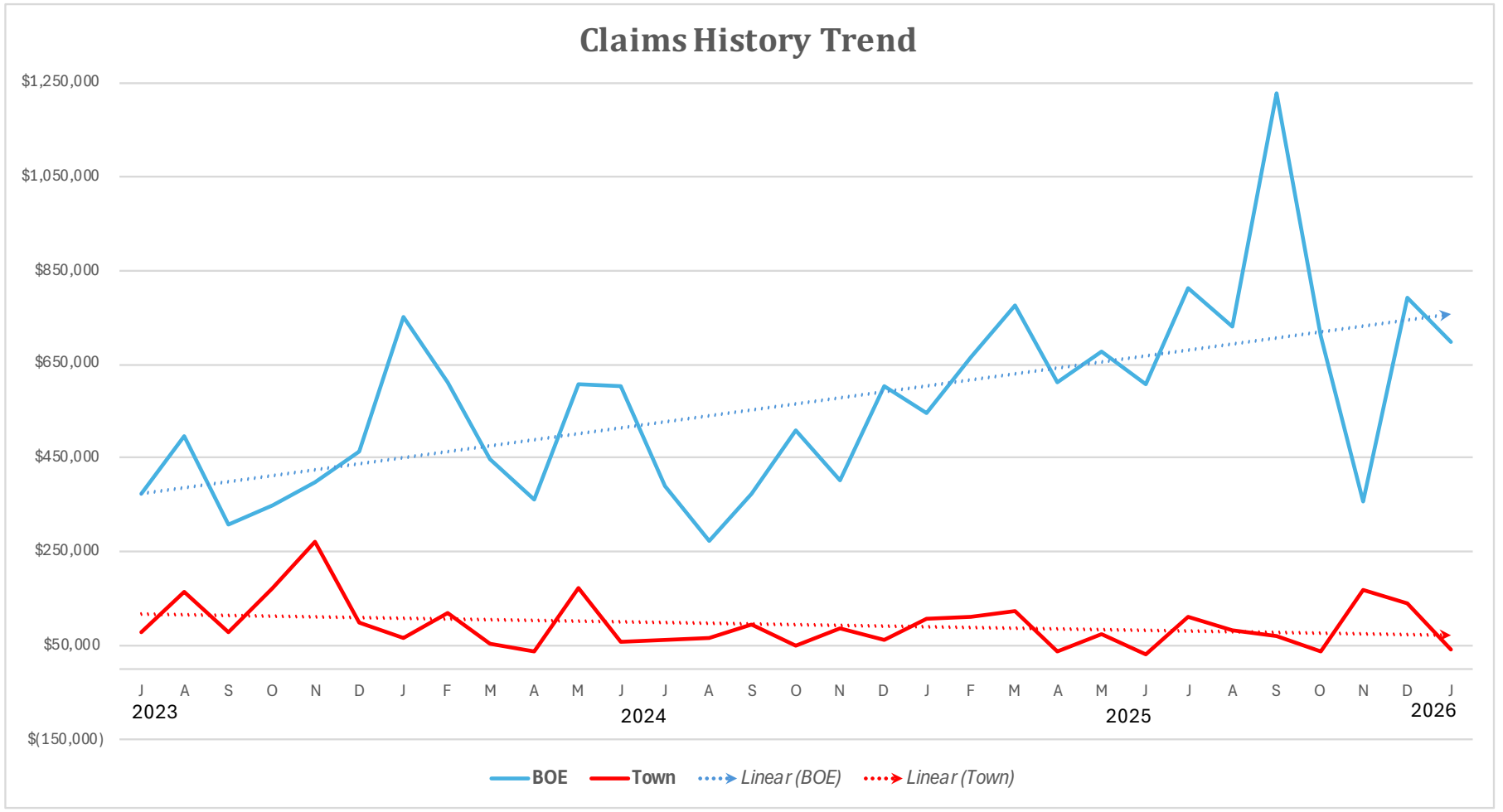
Claims History Trend
$1,250,000
$1,050,000
$850,000
$650,000
$450,000
$250,000
$50,000
$(150,000)
J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D J
2023
2024
2025
2026
BOE
Town
Linear (BOE)
Linear (Town)

Exhibit 4

Exhibit 5

Subject: Re: Costs
From: "Hebert, Dan" <dhebert@lockton.com>
Date: 2/10/2026, 12:11 PM
To: Rachel Linkkila <rlinkkila@colchesterct.org>

Hi Rachael

#14 represents projected 7.1.26 - 6.30.27 claims at 100%

#15 adds +25% to line #14. That +25% represents the additional Aggregate claim exposure to cover your potential maximum claim liability

Hope this is clear.

Best
Dan

Daniel Hebert
Lockton Companies
Sent from iPhone please excuse typos

From: Rachel Linkkila <rlinkkila@colchesterct.org>
Sent: Monday, February 9, 2026 4:37 PM
To: Hebert, Dan <dhebert@lockton.com>
Subject: Costs

Good Afternoon,
Can you tell me what is the difference between these two #?

14. Projected Plan Year Claim Cost PEPM	$1,678.36
15. Projected Plan Year Claim Cost PEPM + 25% corridor	$2,097.95

Have a Great Day

Rachel Linkkila
Director of Finance and Operations
Colchester Public Schools
127 Norwich Ave, Suite 202
Colchester CT 06415
rlinkkila@colchesterct.org
860-537-7233

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Exhibit 6

Bernie Dennler

From: Maggie Cosgrove
Sent: Wednesday, May 7, 2025 1:04 PM
To: Bernard Dennler
Subject: Re: Health Insurance - 'Decrease Due to Excess'
Attachments: BOE Health Insurance Funding Calculation 2022-23 Updated.xlsx

Prior to the change in funding methodology, we used to use the entire cash balance in the reserve fund to determine the amount of contribution to be included in the budgets. The calculation also was based on 100% of the estimated claims (determined by Lockton calculations) plus a 20% risk corridor.

The new funding methodology eliminated the inclusion of the 20% risk corridor from the claims amount included. It also reduced the amount of reserve fund cash to be used in the calculation. For the BOE, initially the amount was 33% of cash in excess of a 15% risk corridor (started in FY 18/19) which then became 50% of the excess. Used most recent cash reserve balance available (usually 11/30 or 12/31) from the monthly reserve fund reports (depended on timing of budget development).

My recollection was that the change in methodologies was going to be phased in over a 10 year period, but the BOE was able to make the change faster due to some positive (meaning low claims experience) growth in the reserve fund. The Town has been phasing in the change. As the cash balance increases, a greater amount would be used to reduce the budget contribution, but as the cash balance decreases, a lower amount would be used.

Attached is the last worksheet that I prepared for BOE budget which shows the past calculations as well.

Lockton made the recommendation to change the funding methodology, and discussion and decision making was held with Lockton, BOF, BOE. The main purpose was to try and control fluctuations in the reserve fund balance and the amount to be included in the respective budgets.

Let me know if you have any questions.

Maggie Cosgrove
Town Finance Department Advisor

From: Bernard Dennler <BDennler@colchesterct.gov>
Sent: Tuesday, May 6, 2025 7:22 PM
To: Maggie Cosgrove <mcosgrove@colchesterct.gov>
Subject: Health Insurance - 'Decrease Due to Excess'

Maggie,
In trying to understand the health insurance situation, I was reading the BOE budget and was curious about this line item that references a decrease due to excess. My understanding is that this is based on a formula you used to use so I was wondering if you could explain what this is and why it is done?

Bernie

Exhibit 7

Colchester Public Schools					
Health Insurance Renewal Projections, Budget Amounts & Reserve Fund Balance					
BOE Employees		305	300	284	295
Town Employees		61	61	57	60
Total		366	361	341	355
	FY 14/15	FY 22/23	FY 23/24	FY 24/25	FY 25/26
	BOE Budget	BOE Budget	BOE Budget	BOE Budget	BOE Budget
Medical Projected Plan Year Claim Cost PEPM		6,219,687	5,766,975	5,244,553	7,149,814
Dental Projected Plan Year Claim Cost PEPM		286,007	266,851	252,804	295,942
Estimated Claims - 100%	**5,788,859**	**6,505,694**	**6,033,826**	**5,497,356**	**7,445,756**
Medical Admin Fee		69.02	70.70	66.55	68.14
Medical Rx Rebate Credit		(32.31)	(50.00)	(52.03)	(54.66)
Medical Specific Stop Loss		230.11	262.80	269.38	296.04
Medical Aggregate Stop Loss		5.70	5.60	5.76	6.05
Dental Admin Fee		6.06	6.01	5.90	4.64
Medical PCORI Fee PMPY					
Administrative Fees	**863,233**	**1,019,603**	**1,062,396**	**1,007,268**	**1,133,543**
HSA Contributions		472,125	521,440	548,814	537,092
Insurance Waviers		37,130	38,630	38,260	38,260
HSA contributions & Insurance Waivers		**509,255**	**560,070**	**587,074**	**575,352**
Medical Commissions		63,240	63,240	65,000	66,300
Lockton fees		**52,700**	**52,554**	**54,135**	**55,094**
PPI fees		**53,800**			**49,739**
Milliman (actuarial) fees		**8,800**	**0**	**0**	**0**
Subtotal	**6,652,092**	**8,149,852**	**7,708,846**	**7,145,834**	**9,259,484**
Estimated employee contributions	**(1,200,000)**	**(1,450,000)**	**(1,217,856)**	**(1,247,672)**	**(1,266,291)**
Total	**5,452,092**	**6,699,852**	**6,490,990**	**5,898,162**	**7,993,193**
Self-insurance Fund Balance	**n/a**	**1,515,970**	**1,551,360**	**1,743,925**	**1,156,024**
Contribution included in Budget	**5,452,092**	**5,183,882**	**4,939,630**	**4,154,237**	**6,837,170**
Risk Corridor @ 25% of Claims		1,295,786	1,198,116	1,091,991	1,485,349
		FY 20/21	FY 21/22	FY 22/23	FY 23/24
Reserve Balance 7/31		3,472,551	3,472,551	3,774,212	3,367,117
Reserve Balance 8/31		3,559,390	3,559,390	4,255,916	2,676,342
Reserve Balance 9/30		3,739,777	3,739,777	4,132,021	3,478,055
Reserve Balance 10/31		3,840,765	3,840,765	4,199,113	3,416,263
Reserve Balance 11/30		4,007,794	4,007,794	4,312,454	3,428,911
Reserve Balance 12/31		4,117,399	4,117,399	4,363,631	3,339,645
Reserve Balance 1/31		3,987,516	3,987,516	4,310,838	2,964,833
Reserve Balance 2/28		4,007,581	4,007,581	4,534,359	2,417,812
Reserve Balance 3/31		4,005,526	4,005,526	4,449,869	2,597,850
Reserve Balance 4/30		4,061,887	4,061,887	4,457,982	2,318,121
Reserve Balance 5/31		4,087,296	4,087,296	4,107,405	2,516,941
Reserve Balance 6/30		3,616,529	3,616,529	3,733,530	1,890,924
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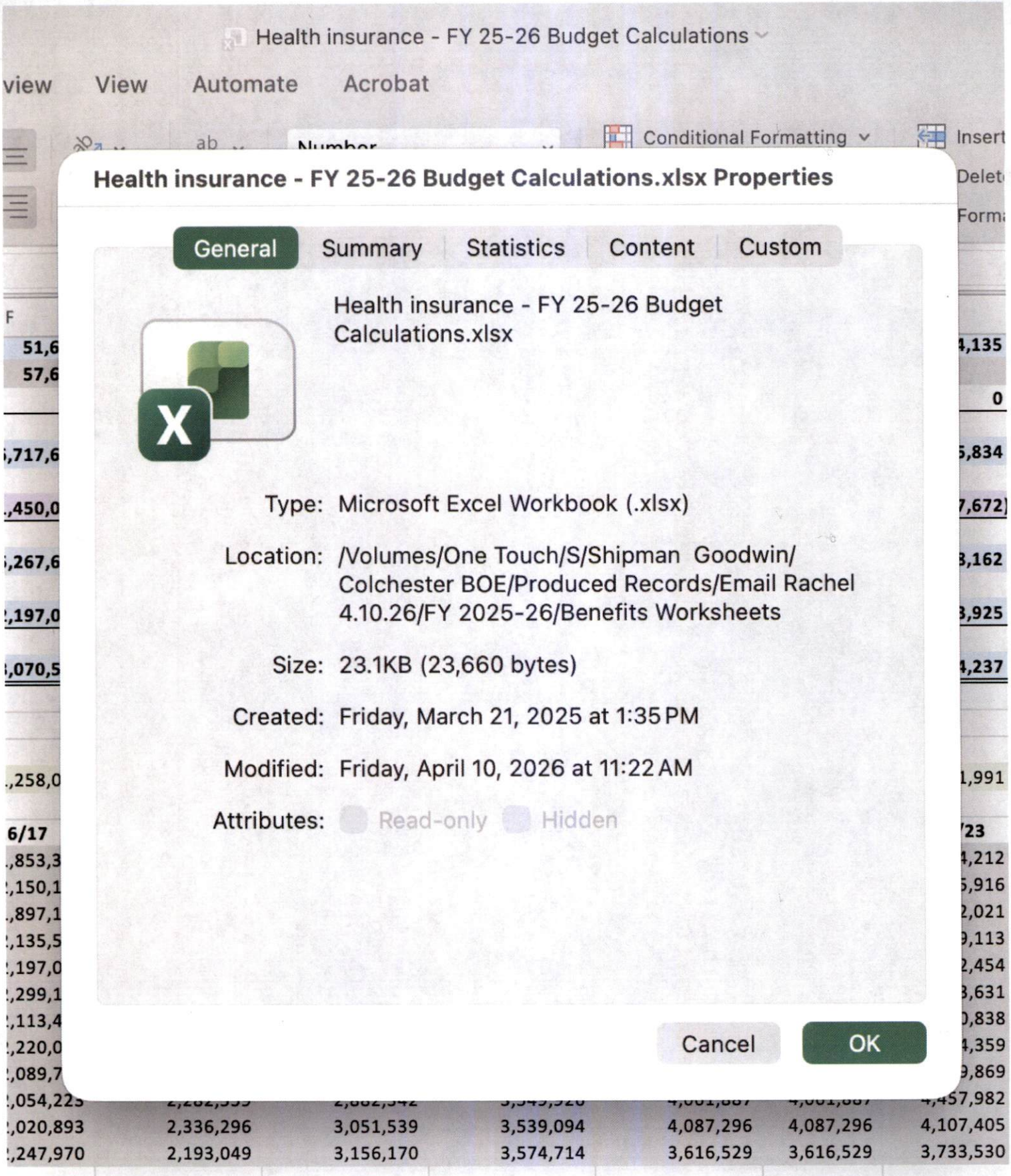
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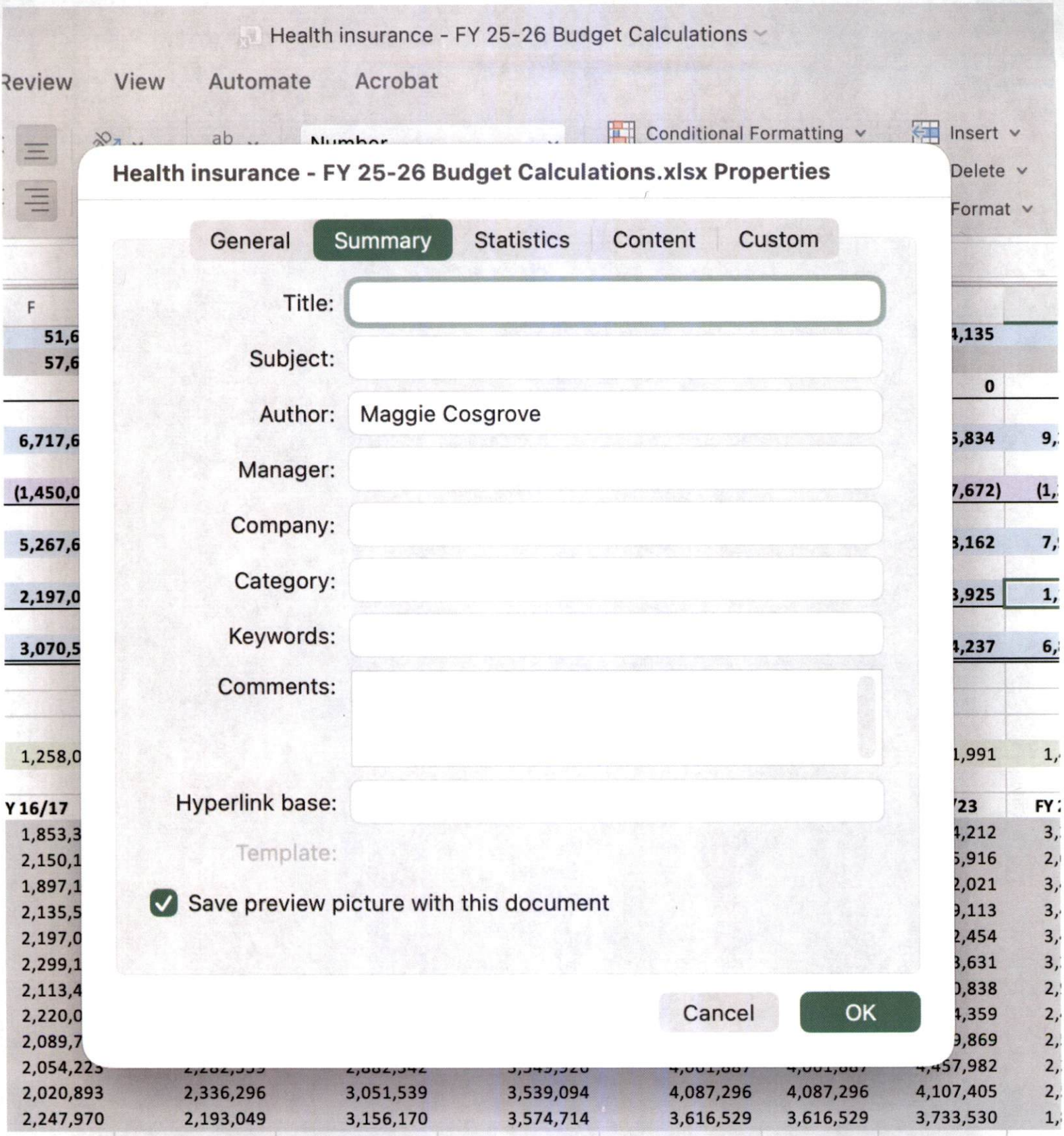
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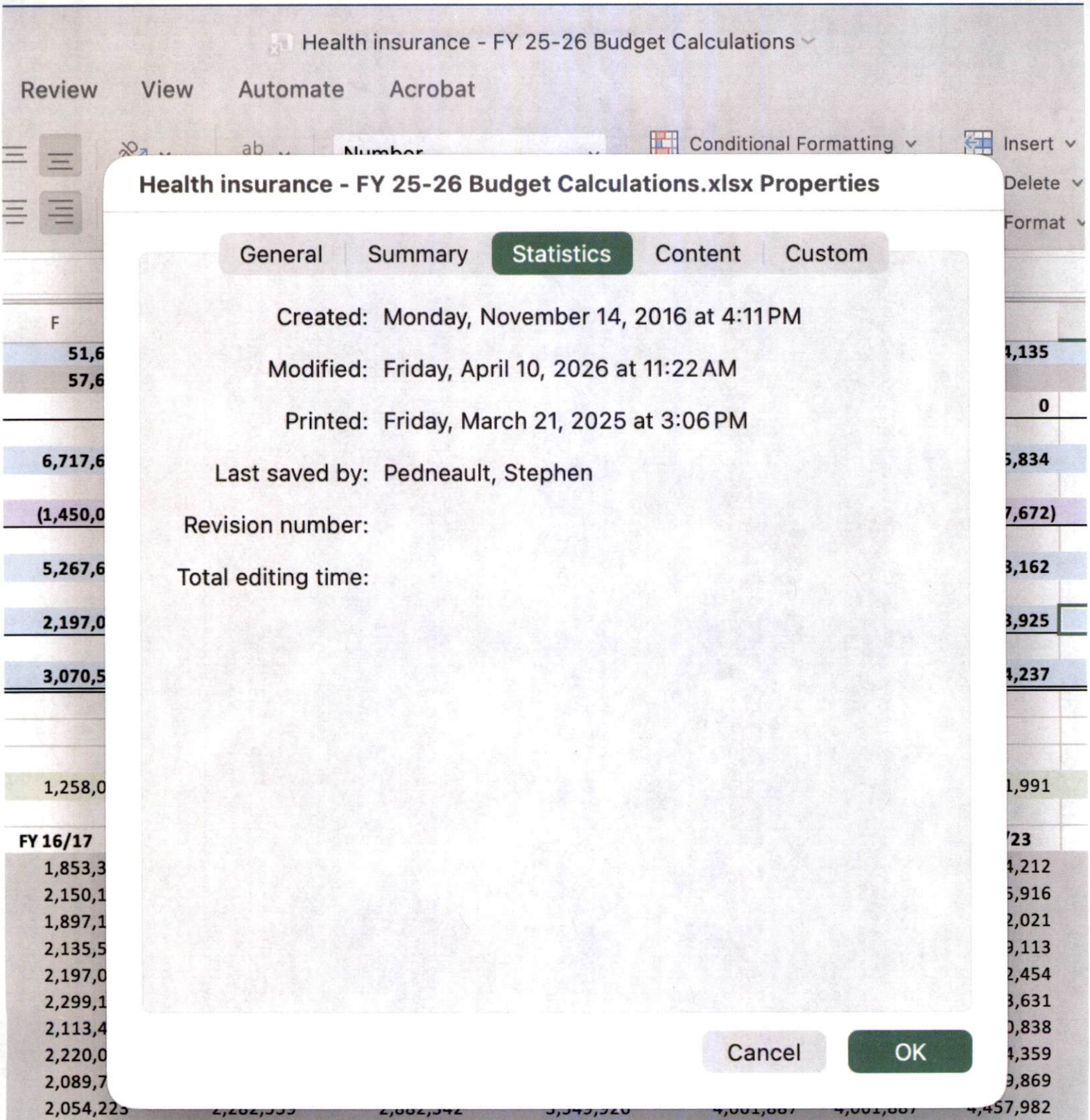
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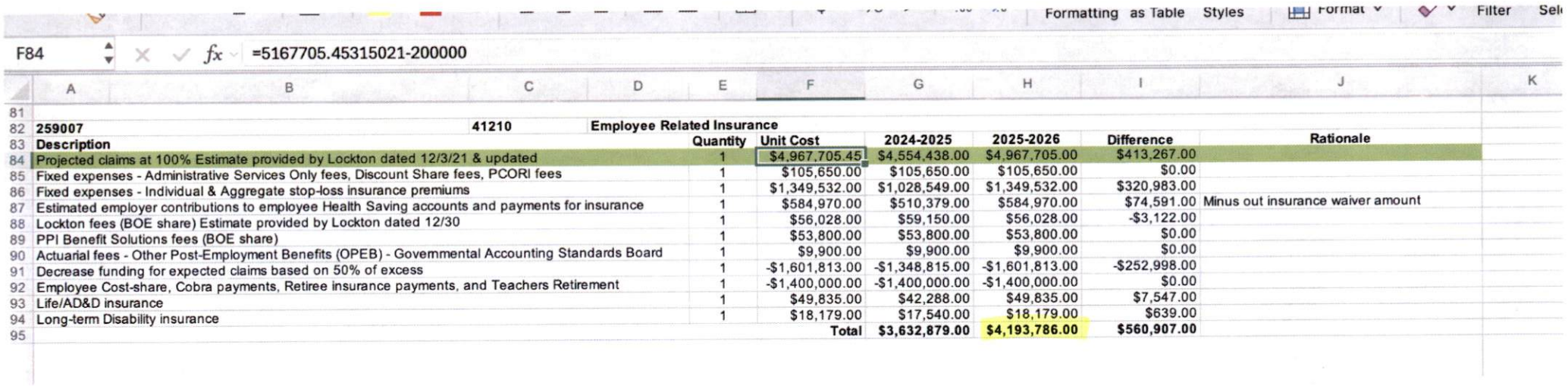
Exhibit 8

Colchester Public Schools Board of Education Adopted 2025-2026 Budget

Line	40111 Certified Personnel Salaries		2024-2025 Budget	2025-2026 Budget	Increase/Decrease	Notes
1	Colchester Elementary School		$ 3,647,743.00	$ 3,719,205.00	$ 71,462.00	
2	Jack Jackter Intermediate School		$ 3,377,361.00	$ 3,620,212.00	$ 242,851.00	
3	William J Johnston Middle School		$ 4,537,101.00	$ 4,635,703.00	$ 98,602.00	
4	Bacon Academy		$ 6,003,939.00	$ 6,126,744.00	$ 122,805.00	
5	Special Education & Student Service		$ 4,368,544.00	$ 4,513,041.00	$ 144,497.00	
6	Technology		$ 106,622.00	$ 171,367.00	$ 64,745.00	
7	System Wide		$ 722,989.00	$ 755,397.00	$ 32,408.00	
8		**TOTAL**	**$ 22,764,299.00**	**$ 23,541,669.00**	**$ 777,370.00**	
Line	**40112 Classified Personnel Salaries**		**2024-2025 Budget**	**2025-2026 Budget**	**Increase/Decrease**	**Notes**
9	Colchester Elementary School		$ 548,181.00	$ 567,124.00	$ 18,943.00	
10	Jack Jackter Intermediate School		$ 453,521.00	$ 504,379.00	$ 50,858.00	
11	William J Johnston Middle School		$ 322,626.00	$ 363,292.00	$ 40,666.00	
12	Bacon Academy		$ 675,731.00	$ 698,448.00	$ 22,717.00	
13	Special Education & Student Service		$ 1,814,523.00	$ 1,927,719.00	$ 113,196.00	
14	System Wide		$ 806,951.00	$ 742,900.00	$ (64,051.00)	
15	Maintenance		$ 1,837,999.00	$ 1,975,906.00	$ 137,907.00	
16		**TOTAL**	**$ 6,459,532.00**	**$ 6,779,768.00**	**$ 320,236.00**	
Line	**40113 Additional Staff Hours**		**2024-2025 Budget**	**2025-2026 Budget**	**Increase/Decrease**	**Notes**
17	Colchester Elementary School		$ 10,965.00	$ 11,192.00	$ 227.00	
18	Jack Jackter Intermediate School		$ 3,720.00	$ 3,869.00	$ 149.00	
19	William J Johnston Middle School		$ 2,309.00	$ 2,660.00	$ 351.00	
20	Bacon Academy		$ 9,930.00	$ 10,574.00	$ 644.00	
21	Special Education & Student Service		$ 5,300.00	$ 5,300.00	$ -	
22	System Wide		$ 7,315.00	$ 8,750.00	$ 1,435.00	
23		**TOTAL**	**$ 39,539.00**	**$ 42,345.00**	**$ 2,806.00**	
Line	**40130 Classified Overtime**		**2024-2025 Budget**	**2025-2026 Budget**	**Increase/Decrease**	**Notes**
24	System Wide		$ 7,800.00	$ -	$ (7,800.00)	
25	Maintenance		$ 36,000.00	$ 36,000.00	$ -	
26		**TOTAL**	**$ 43,800.00**	**$ 36,000.00**	**$ (7,800.00)**	
Line	**41210 Employee Related Insurance**		**2024-2025 Budget**	**2025-2026 Budget**	**Increase/Decrease**	**Notes**
27	System Wide		$ 3,632,879.00	$ 4,193,786.00	$ 560,907.00	
28		**TOTAL**	**$ 3,632,879.00**	**$ 4,193,786.00**	**$ 560,907.00**	
Line	**41220 Social Security**		**2024-2025 Budget**	**2025-2026 Budget**	**Increase/Decrease**	**Notes**
29	System Wide		$ 469,051.00	$ 488,991.00	$ 19,940.00	
30		**TOTAL**	**$ 469,051.00**	**$ 488,991.00**	**$ 19,940.00**	
Line	**41221 Medicare**		**2024-2025 Budget**	**2025-2026 Budget**	**Increase/Decrease**	**Notes**
31	System Wide		$ 438,316.00	$ 452,397.00	$ 14,081.00	
32		**TOTAL**	**$ 438,316.00**	**$ 452,397.00**	**$ 14,081.00**	

				Total	$7,800.00	$0.00	-$7,800.00
259007	41210	Employee Related Insurance					
Description			Quantity	Unit Cost	2024-2025	2025-2026	Difference	Rationale
Projected claims at 100% Estimate provided by Lockton dated 12/3/21 & updated			1	$4,967,705.45	$4,554,438.00	$4,967,705.00	$413,267.00	
Fixed expenses - Administrative Services Only fees, Discount Share fees, PCORI fees			1	$105,650.00	$105,650.00	$105,650.00	$0.00	
Fixed expenses - Individual & Aggregate stop-loss insurance premiums			1	$1,349,532.00	$1,028,549.00	$1,349,532.00	$320,983.00	
Estimated employer contributions to employee Health Saving accounts and payments for insurance			1	$584,970.00	$510,379.00	$584,970.00	$74,591.00	Minus out insurance waiver amount
Lockton fees (BOE share) Estimate provided by Lockton dated 12/30			1	$56,028.00	$59,150.00	$56,028.00	-$3,122.00	
PPI Benefit Solutions fees (BOE share)			1	$53,800.00	$53,800.00	$53,800.00	$0.00	
Actuarial fees - Other Post-Employment Benefits (OPEB) - Governmental Accounting Standards Board			1	$9,900.00	$9,900.00	$9,900.00	$0.00	
Decrease funding for expected claims based on 50% of excess			1	-$1,601,813.00	-$1,348,815.00	-$1,601,813.00	-$252,998.00	
Employee Cost-share, Cobra payments, Retiree insurance payments, and Teachers Retirement			1	-$1,400,000.00	-$1,400,000.00	-$1,400,000.00	$0.00	
Life/AD&D insurance			1	$49,835.00	$42,288.00	$49,835.00	$7,547.00	
Long-term Disability insurance			1	$18,179.00	$17,540.00	$18,179.00	$639.00	
				Total	$3,632,879.00	$4,193,786.00	$560,907.00	



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82	**259007**		**41210**	**Employee Related Insurance**							
83	**Description**				**Quantity**	**Unit Cost**	**2024-2025**	**2025-2026**	**Difference**	**Rationale**	
84	Projected claims at 100% Estimate provided by Lockton dated 12/3/21 & updated				1	$4,967,705.45	$4,554,438.00	$4,967,705.00	$413,267.00		
85	Fixed expenses - Administrative Services Only fees, Discount Share fees, PCORI fees				1	$105,650.00	$105,650.00	$105,650.00	$0.00		
86	Fixed expenses - Individual & Aggregate stop-loss insurance premiums				1	$1,349,532.00	$1,028,549.00	$1,349,532.00	$320,983.00		
87	Estimated employer contributions to employee Health Saving accounts and payments for insurance				1	$584,970.00	$510,379.00	$584,970.00	$74,591.00	Minus out insurance waiver amount	
88	Lockton fees (BOE share) Estimate provided by Lockton dated 12/30				1	$56,028.00	$59,150.00	$56,028.00	-$3,122.00		
89	PPI Benefit Solutions fees (BOE share)				1	$53,800.00	$53,800.00	$53,800.00	$0.00		
90	Actuarial fees - Other Post-Employment Benefits (OPEB) - Governmental Accounting Standards Board				1	$9,900.00	$9,900.00	$9,900.00	$0.00		
91	Decrease funding for expected claims based on 50% of excess				1	-$1,601,813.00	-$1,348,815.00	-$1,601,813.00	-$252,998.00		
92	Employee Cost-share, Cobra payments, Retiree insurance payments, and Teachers Retirement				1	-$1,400,000.00	-$1,400,000.00	-$1,400,000.00	$0.00		
93	Life/AD&D insurance				1	$49,835.00	$42,288.00	$49,835.00	$7,547.00		
94	Long-term Disability insurance				1	$18,179.00	$17,540.00	$18,179.00	$639.00		
95						**Total**	**$3,632,879.00**	**$4,193,786.00**	**$560,907.00**		

2024-2025	2025-2026
1343.44	1747.83
12	12
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$ 4,836,384.00	$ 6,292,188.00
	$ 1,455,804.00
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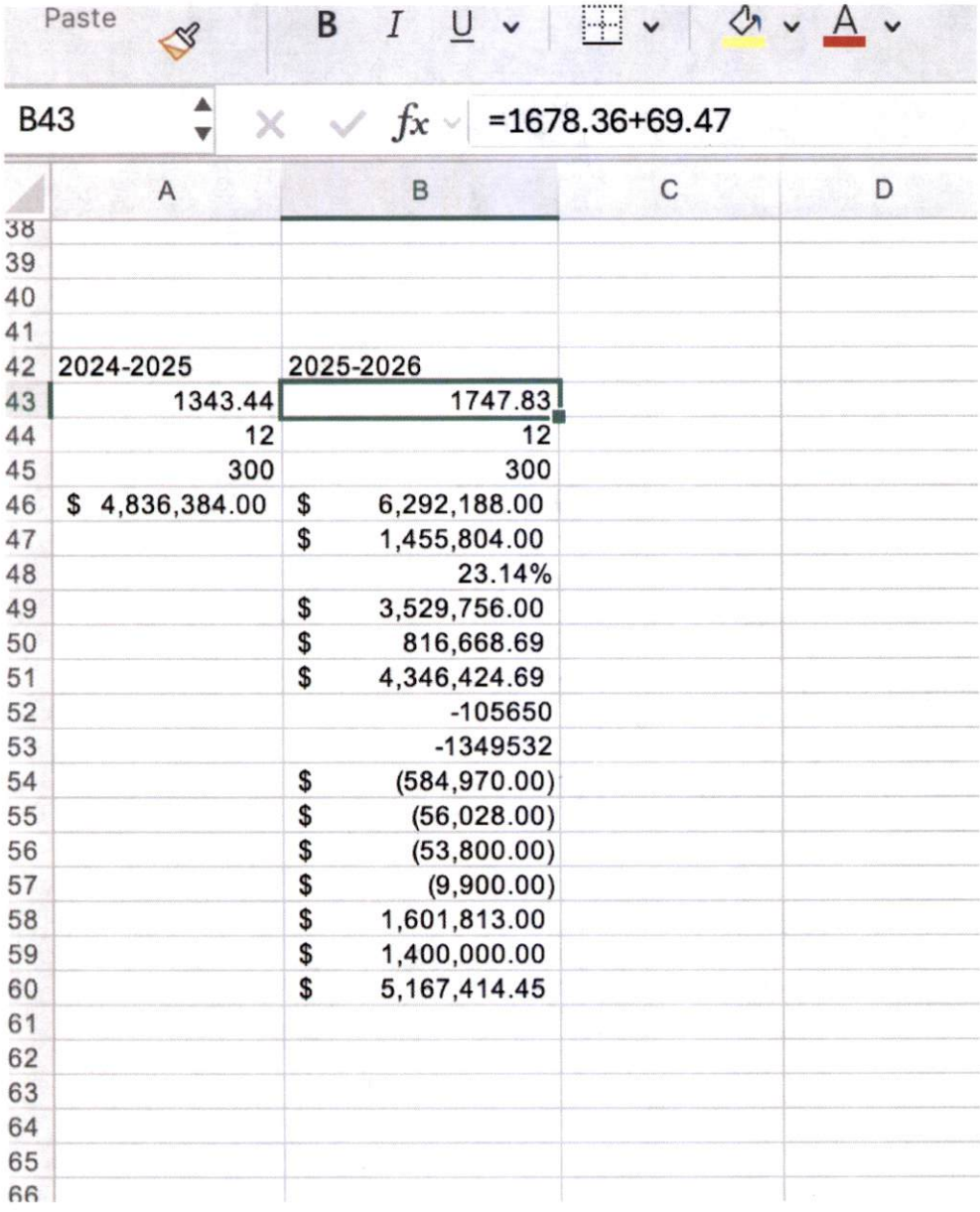

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45	300	300		
46	$ 4,836,384.00	$ 6,292,188.00		
47		$ 1,455,804.00		
48		23.14%		
49		$ 3,529,756.00		
50		$ 816,668.69		
51		$ 4,346,424.69		
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56		$ (53,800.00)		
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60		$ 5,167,414.45		
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31	Actuarial fees - Other Post-Employment Benefits (OPEB) - Governmental			
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33	**Description**			
34	Decrease funding for expected claims based on 50% of excess			
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37	Employee Cost-share, Cobra payments, Retiree insurance payments, and			
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42	2024-2025	2025-2026		
43	1343.44	1747.83		
44	12	12		
45	300	300		
46	$ 4,836,384.00	$ 6,292,188.00		
47		$ 1,455,804.00		
48		23.14%		
49		$ 3,529,756.00		
50		$ 816,668.69		
51		$ 4,346,424.69		
52		-105650		
53		-1349532		
54		$ (584,970.00)		
55		$ (56,028.00)		
56		$ (53,800.00)		
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58		$ 1,601,813.00		
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60		$ 5,167,414.45		
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31	Actuarial fees - Other Post-Employment Benefits (OPEB) - Governmental			
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33	**Description**			
34	Decrease funding for expected claims based on 50% of excess			
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37	Employee Cost-share, Cobra payments, Retiree insurance payments, and			
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48		23.14%		
49		$ 3,529,756.00		
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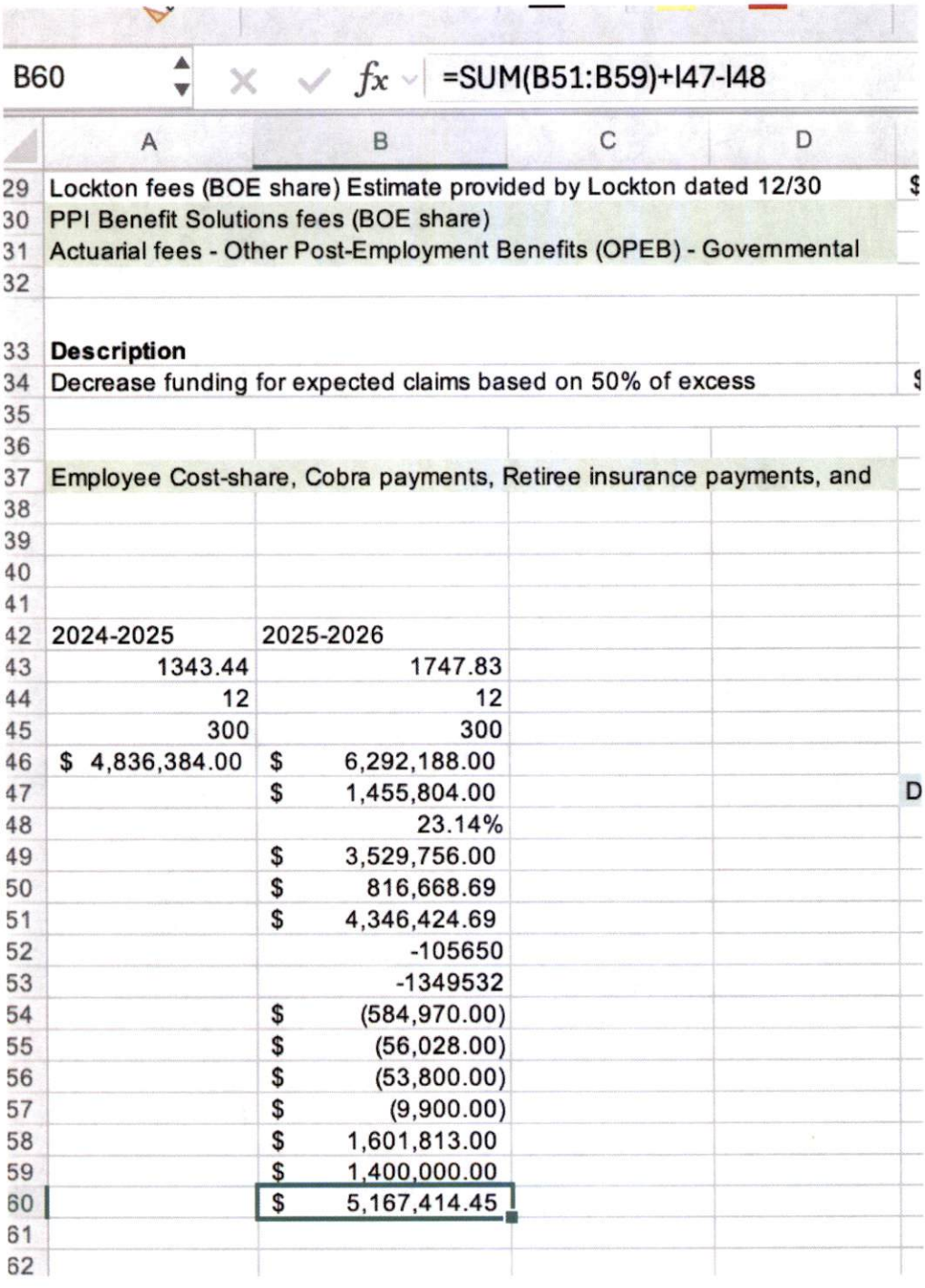

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33	**Description**			
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37	Employee Cost-share, Cobra payments, Retiree insurance payments, and			
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60		$ 5,167,414.45		
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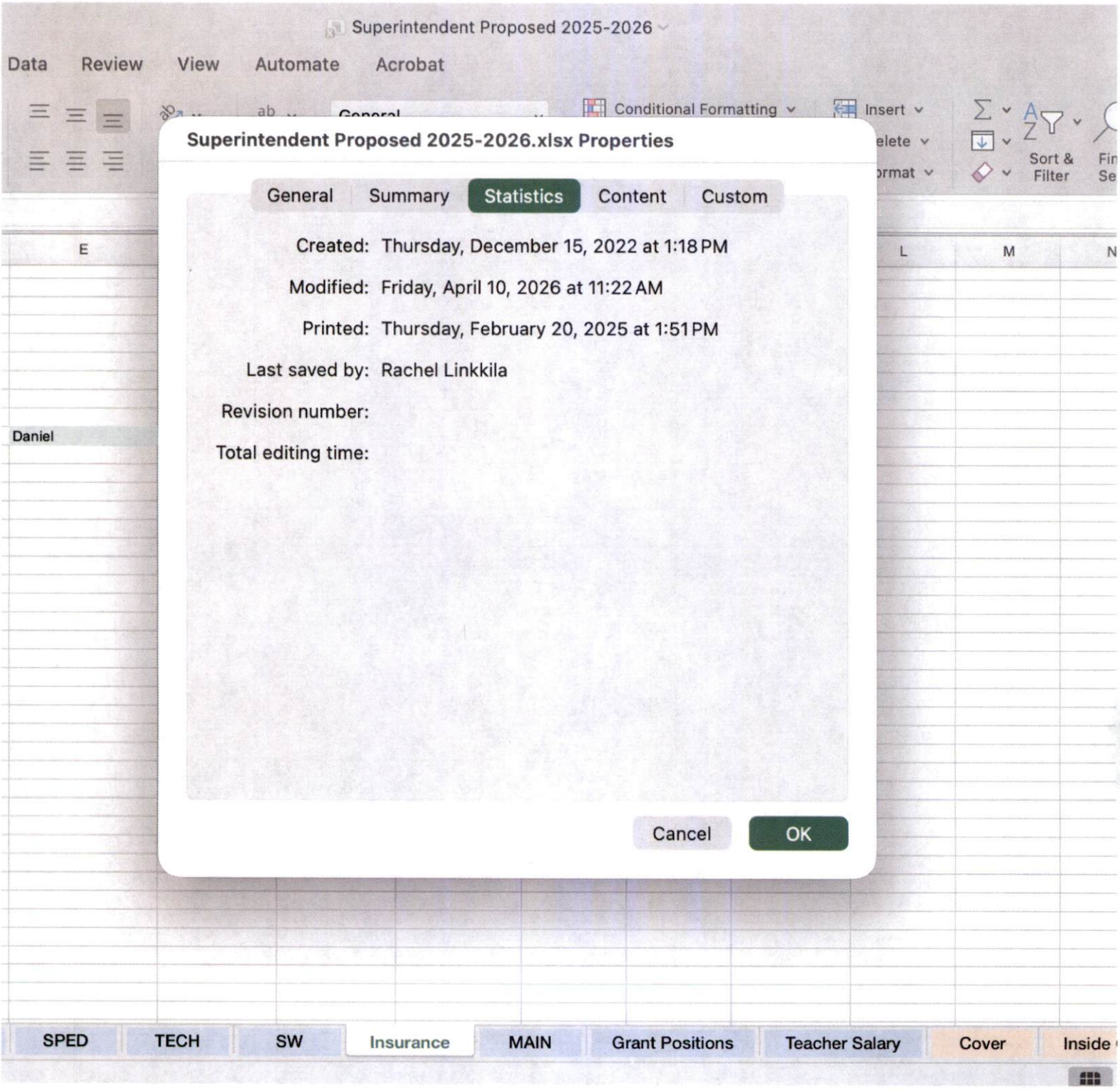
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